

CASS COUNTY ENVIRONMENTAL CONTROL AGENCY

INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS
SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2020 AND 2019

Cass County Environmental Control Agency

Table of Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	2
Management's Discussion and Analysis	4
Financial Statements	<u>Exhibit</u>
Statements of Net Position	A 5
Statements of Revenues, Expenses and Changes in Net Position	B 6
Statements of Cash Flows	C 7
Notes to Financial Statements	9
Comments and Recommendations	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	21
Schedule of Findings and Responses	23

Cass County Environmental Control Agency

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Kathy Somers	Chairperson	City of Atlantic
Frank Waters	Vice Chairperson	Cass County
Steve Green	Member	Cass County
John Knutsen	Member	City of Anita
Pat McCurdy	Member	City of Atlantic
Virginia Coughlin	Member	City of Cumberland
Carol Preston	Member	City of Griswold
Ryan Lockwood	Member	City of Lewis
Randy Baxter	Member	City of Marne
Micah Lee	Member	City of Massena

As of the date of this report, the Board is looking for a replacement to fill an open director position for the City of Wiota

Brandi Mericle	Manager, Secretary-Treasurer
----------------	------------------------------

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369
ATLANTIC, IOWA 50022-0369
(712) 243-1800
FAX (712) 243-1265
CPA@GBKCO.COM

MARK D. KYHNN
KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

INDEPENDENT AUDITOR'S REPORT

To the Members of the Cass County
Environmental Control Agency

Report on the Financial Statements

We have audited the accompanying financial statements of Cass County Environmental Control Agency (a 28E Organization) which comprise the statements of net position as of June 30, 2020 and 2019, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Members of the Cass County
Environmental Control Agency

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cass County Environmental Control Agency as of June 30, 2020 and 2019, and the changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis on pages 4 through 4c be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 23, 2020 on our consideration of Cass County Environmental Control Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Cass County Environmental Control Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Cass County Environmental Control Agency's internal control over financial reporting and compliance.

Bennett, Bell, Kohn & P.C.

Atlantic, Iowa
September 23, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Cass County Environmental Control Agency (Agency) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal years ended June 30, 2020 and 2019. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Agency's operating revenues decreased 6.95%, or \$83,170 from fiscal year 2019 to fiscal year 2020. The Agency's operating revenues increased 12.9%, or \$136,283 from fiscal year 2018 to fiscal year 2019.
- The Agency's operating expenses were 1.73%, or \$18,454 lower in fiscal year 2020 than in fiscal year 2019. The Agency's operating expenses were 17.5%, or \$159,066 higher in fiscal year 2019 than in fiscal year 2018.
- The Agency's net position increased \$63,811 from June 30, 2019 to June 30, 2020. The Agency's net position increased \$114,237 from June 30, 2018 to June 30, 2019.

USING THIS ANNUAL REPORT

The Cass County Environmental Control Agency's accounts are organized as an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Agency presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.

The Statement of Net Position presents information on the Agency's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position is the basic statement of activities for proprietary funds. This statement presents information on the Agency's operating revenues and expenses, nonoperating revenues and expenses and whether the Agency's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Agency's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Agency financed its activities and how it met its cash requirements.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE AGENCY

Statements of Net Position

Net position may serve over time as a useful indicator of the Agency's financial position. A summary of the Agency's net position at June 30, 2020 and 2019 is presented below.

	<u>2020</u>	<u>2019</u>
Current assets.....	\$ 854,168	\$ 713,984
Noncurrent restricted assets.....	568,934	481,549
Capital assets.....	<u>1,328,788</u>	<u>1,504,718</u>
Total Assets	2,751,890	2,700,251
Current liabilities.....	136,427	185,662
Noncurrent liabilities.....	<u>1,920,336</u>	<u>1,883,273</u>
Total Liabilities	2,056,763	2,068,935
Net Position		
Invested in capital assets.....	1,157,981	1,211,465
Restricted / Unrestricted.....	<u>(462,854)</u>	<u>(580,149)</u>
Total Net Position	<u>\$ 695,127</u>	<u>\$ 631,316</u>

A portion of the Agency's 2020 net position is restricted for closure and postclosure care. State and federal laws and regulations require the Agency to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of 30 years after closure.

Statements of Revenues, Expenses and Changes in Net Position

Operating revenues are received for fees from accepting solid waste from the residents and businesses of the county and assessments from the residents of the Cities and the County. Operating expenses are expenses paid to operate the landfill. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. Non-operating revenues and expenses include interest income and interest expense. A summary of revenues, expenses and changes in net position for the years ended June 30, 2020 and 2019 is presented below:

	<u>2020</u>	<u>2019</u>
Operating revenues.....	\$ 1,112,776	\$ 1,195,946
Operating expenses.....	<u>1,048,688</u>	<u>1,067,142</u>
Operating income	64,088	128,804
Net nonoperating revenues (expenses).....	<u>(277)</u>	<u>(14,567)</u>
Change in net position.....	63,811	114,237
Net position – beginning of year.....	<u>631,316</u>	<u>517,079</u>
Net position – end of year.....	<u>\$ 695,127</u>	<u>\$ 631,316</u>

In fiscal 2020, operating revenues decreased by \$83,170, primarily a result of a decrease in solid waste received. Operating expenses decreased by \$18,454, primarily due to decrease in depreciation expense and mandated changes.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, noncapital related financing, capital and related financing and investing activities. Cash provided by operating activities includes landfill fees, recycling and assessment revenues reduced by payments to contracted staff and to suppliers. Cash used in capital and related financing activities includes the purchase of capital assets, and proceeds and payments on long term debt.

CAPITAL ASSETS

At June 30, 2020 the Agency had \$1,328,788 invested in capital assets.

LONG-TERM DEBT

At June 30, 2020, the Agency had \$170,807 outstanding for notes payable, a decrease of \$121,127 from June 30, 2019. At June 30, 2020, the Agency had \$ - 0 - outstanding for capital lease purchase agreements, a decrease of \$1,319 from June 30, 2019. Additional information about the Agency's long-term debt is presented in Notes 4, 5, and 6 to the financial statements.

ECONOMIC FACTORS

The Agency's primary source of revenue is landfill tipping fees. Landfill tipping fees were at \$100.00 per ton in FY 2020. The tipping fees were increased July 1, 2015 to \$100.00 per ton. Operating expenditures in FY 2021 are expected to remain about the same as expenditures for fiscal year 2020.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Cass County Environmental Control Agency, 65928 Jackson Road, Atlantic, Iowa 50022.

Cass County Environmental Control Agency

Statements of Net Position

June 30,

	<u>2020</u>	<u>2019</u>
Assets		
Current assets:		
Cash	\$ 756,115	\$ 618,926
Accounts receivable	78,933	76,574
Prepaid insurance	<u>19,120</u>	<u>18,484</u>
Total current assets	854,168	713,984
Restricted assets:		
Cash for tonnage fee	78,813	65,773
Cash for closure and postclosure care	<u>490,121</u>	<u>415,776</u>
	568,934	481,549
Capital assets:		
Non-depreciable capital assets	680,000	680,000
Depreciable capital assets, net	<u>648,788</u>	<u>824,718</u>
	<u>1,328,788</u>	<u>1,504,718</u>
 Total assets	 <u>\$ 2,751,890</u>	 <u>\$ 2,700,251</u>

The accompanying notes are an integral part of these statements.

	<u>2020</u>	<u>2019</u>
Liabilities and Net Position		
Current liabilities:		
Current maturities of capital leases	\$ --	\$ 1,319
Current maturities of notes payable	78,071	111,361
Accounts payable, trade	12,306	27,053
Due to other governments	46,050	45,929
Total current liabilities	<u>136,427</u>	<u>185,662</u>
Non-current liabilities:		
Notes payable, less current maturities	92,736	180,573
Landfill closure and postclosure care	1,827,600	1,702,700
Total non-current liabilities	<u>1,920,336</u>	<u>1,883,273</u>
Total liabilities	<u>2,056,763</u>	<u>2,068,935</u>
Net position:		
Invested in capital assets, net of related debt	1,157,981	1,211,465
Restricted for:		
Tonnage fees retained	78,813	65,773
Closure and postclosure care	(1,337,479)	(1,286,924)
Unrestricted	795,812	641,002
Total net position	<u>695,127</u>	<u>631,316</u>
Total liabilities and net position	<u>\$ 2,751,890</u>	<u>\$ 2,700,251</u>

Cass County Environmental Control Agency
 Statements of Revenues, Expenses and Changes in Net Position
 Year ended June 30,

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Solid waste fees	\$ 904,336	\$ 976,675
Recyclables	28,046	40,435
County and city assessments	167,472	167,472
Other	<u>12,922</u>	<u>11,364</u>
Total operating revenues	1,112,776	1,195,946
Operating expenses:		
Administration	47,974	57,575
Engineering	102,648	53,129
Recycling expenses	107,316	100,427
Cover, compacting and scale expenses	200,868	197,039
Equipment	70,265	119,332
Mandated changes	125,194	178,547
Buildings and grounds	208,316	215,663
Closure and postclosure care	124,900	83,400
Tonnage fees to Iowa Department of Natural Resources	19,138	20,427
Contracted benefits	<u>42,069</u>	<u>41,603</u>
Total operating expenses	1,048,688	1,067,142
Operating income	64,088	128,804
Non-operating revenues (expenses):		
Grant revenue	6,160	975
Interest income	6,742	5,221
Interest expense	(13,179)	(20,763)
Non-operating revenues (expenses), net	<u>(277)</u>	<u>(14,567)</u>
Change in net position	63,811	114,237
Net position beginning of year	<u>631,316</u>	<u>517,079</u>
Net position end of year	<u>\$ 695,127</u>	<u>\$ 631,316</u>

The accompanying notes are an integral part of these statements.

Cass County Environmental Control Agency

Statements of Cash Flows

Year ended June 30,

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from solid waste fees	\$ 897,444	\$ 985,794
Cash received from recyclables	28,046	40,435
Cash received from cities and counties	172,005	162,153
Cash received from other revenue	12,922	11,364
Cash payments to suppliers for goods and services	(566,140)	(604,249)
Cash payments for contracted staff	(195,665)	(188,985)
Net cash provided by operating activities	348,612	406,512
Cash flows from noncapital related financing activities:		
Cash received from grantor agency	6,160	975
Fee paid on line of credit	(3,300)	(3,300)
Net cash provided by (used in) noncapital related financing activities	2,860	(2,325)
Cash flows from capital and related financing activities:		
Purchase of capital assets	(1,315)	--
Principal payments on capital leases	(1,319)	(15,485)
Principal payments on notes payable	(121,127)	(133,531)
Interest payments on long-term debt	(9,879)	(17,463)
Net cash used in capital and related financing activities	(133,640)	(166,479)
Cash flows from investing activities:		
Interest received	6,742	5,221
Net increase in cash and cash equivalents	224,574	242,929
Cash and cash equivalents at beginning of year	1,100,475	857,546
Cash and cash equivalents at end of year	<u>\$ 1,325,049</u>	<u>\$ 1,100,475</u>
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash in current assets	\$ 756,115	\$ 618,926
Cash in restricted assets	568,934	481,549
Total cash and cash equivalents	<u>\$ 1,325,049</u>	<u>\$ 1,100,475</u>

(continued next page)

Cass County Environmental Control Agency

Statements of Cash Flows - Continued

Year ended June 30,

	<u>2020</u>	<u>2019</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 64,088	\$ 128,804
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	177,245	181,336
Closure and postclosure care	124,900	83,400
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(2,359)	3,800
(Increase) decrease in prepaid insurance	(636)	2,972
Increase (decrease) in accounts payable, trade	(14,747)	2,892
Increase in due to other governments	121	3,308
Total adjustments	<u>284,524</u>	<u>277,708</u>
Net cash provided by operating activities	<u>\$ 348,612</u>	<u>\$ 406,512</u>

Non-Cash Transaction:

The Agency also recorded the following non-cash transaction in addition to the transactions reflected in the reconciliation of operating income to net cash provided by operating activities.

	<u>2020</u>	<u>2019</u>
Purchase of capital assets with note payable	<u>\$ --</u>	<u>\$ 24,783</u>

The accompanying notes are an integral part of these statements.

Cass County Environmental Control Agency

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cass County Environmental Control Agency was formed in 1971 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is to operate the sanitary landfill in Cass County for use by all residents of the County.

The Agency is composed of one representative from each of the eight member cities, except the City of Atlantic appoints one additional representative, and two representatives from Cass County. The member cities are: Anita, Atlantic, Cumberland, Griswold, Lewis, Massena, Marne and Wiota. The representative of a city is appointed by the political subdivision to be represented.

The Agency's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Cass County Environmental Control Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Agency are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Cass County Environmental Control Agency

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Statements of Net Position display Cass County Environmental Control Agency's assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

C. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Agency's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities and Net Position

The following accounting policies are followed in preparing the Statements of Net Position:

Cash, Cash Equivalents, and Investments - The Agency considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Restricted Assets - Funds set aside for payment of closure and postclosure care and unspent solid waste tonnage fees are classified as restricted.

Accounts Receivable - Accounts receivable represent amounts that are due and payable from customers and assessments of the cities but have not been collected at June 30. Management of the Agency believes the receivables will be realized without material collection losses; therefore, no allowance for uncollectible accounts exists.

Cass County Environmental Control Agency

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets - Capital assets are accounted for at historical cost. Capital assets with lives in excess of three years and cost in excess of \$500 are capitalized. Depreciation of all exhaustible capital assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Capital assets of the Agency are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40-50
Building improvements	20-50
Equipment and vehicles	3-20

Compensated Absences - Agency's contracted staff accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2020. This liability is included in the amount due to other governments.

NOTE 2 - CASH AND INVESTMENTS

The Agency's deposits in banks at June 30, 2020 and 2019 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Agency; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Agency had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Cass County Environmental Control Agency

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 3 - CAPITAL ASSETS

A summary of capital assets at June 30, 2020 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Capital assets not being depreciated:				
Land	\$ 680,000	\$ --	\$ --	\$ 680,000
Total capital assets not being depreciated	<u>680,000</u>	<u>--</u>	<u>--</u>	<u>680,000</u>
Capital assets being depreciated:				
Land improvements	1,508,739	--	--	1,508,739
Buildings	760,684	--	--	760,684
Equipment and vehicles	<u>1,452,969</u>	<u>1,315</u>	<u>109,130</u>	<u>1,345,154</u>
Total capital assets being depreciated	<u>3,722,392</u>	<u>1,315</u>	<u>109,130</u>	<u>3,614,577</u>
Less accumulated depreciation for:				
Land improvements	1,155,115	110,099	--	1,265,214
Buildings	413,027	27,738	--	440,765
Equipment and vehicles	<u>1,329,532</u>	<u>39,408</u>	<u>109,130</u>	<u>1,259,810</u>
Total accumulated depreciation	<u>2,897,674</u>	<u>177,245</u>	<u>109,130</u>	<u>2,965,789</u>
Total capital assets being depreciated, net	<u>824,718</u>	<u>(175,930)</u>	<u>--</u>	<u>648,788</u>
Total capital assets, net	<u>\$ 1,504,718</u>	<u>\$(175,930)</u>	<u>\$ --</u>	<u>\$ 1,328,788</u>

Cass County Environmental Control Agency

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 3 - CAPITAL ASSETS - Continued

A summary of capital assets at June 30, 2019 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Capital assets not being depreciated:				
Land	\$ 680,000	\$ --	\$ --	\$ 680,000
Construction in progress	<u>280,882</u>	<u>24,783</u>	<u>305,665</u>	<u>--</u>
Total capital assets not being depreciated	<u>960,882</u>	<u>24,783</u>	<u>305,665</u>	<u>680,000</u>
Capital assets being depreciated:				
Land improvements	1,203,074	305,665	--	1,508,739
Buildings	760,684	--	--	760,684
Equipment and vehicles	<u>1,452,969</u>	<u>--</u>	<u>--</u>	<u>1,452,969</u>
Total capital assets being depreciated	<u>3,416,727</u>	<u>305,665</u>	<u>--</u>	<u>3,722,392</u>
Less accumulated depreciation for:				
Land improvements	1,045,016	110,099	--	1,155,115
Buildings	385,289	27,738	--	413,027
Equipment and vehicles	<u>1,286,033</u>	<u>43,499</u>	<u>--</u>	<u>1,329,532</u>
Total accumulated depreciation	<u>2,716,338</u>	<u>181,336</u>	<u>--</u>	<u>2,897,674</u>
Total capital assets being depreciated, net	<u>700,389</u>	<u>124,329</u>	<u>--</u>	<u>824,718</u>
Total capital assets, net	<u>\$ 1,661,271</u>	<u>\$ 149,112</u>	<u>\$ 305,665</u>	<u>\$ 1,504,718</u>

Cass County Environmental Control Agency

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 4 - NON-CURRENT LIABILITIES

A schedule of changes in the Agency's non-current liabilities for the year ended June 30, 2020 and 2019 follows:

	<u>Balance 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2020</u>	<u>Current Portion</u>
Note Payable, May, 2012	\$ 42,842	\$ --	\$ 42,842	\$ --	\$ --
Note Payable, May, 2018	<u>249,092</u>	<u>--</u>	<u>78,285</u>	<u>170,807</u>	<u>78,071</u>
	291,934	--	121,127	170,807	78,071
Capital Lease Obligation: Piccar	1,319	--	1,319	--	--
Landfill Closure and Postclosure Care	<u>1,702,700</u>	<u>124,900</u>	<u>--</u>	<u>1,827,600</u>	<u>--</u>
Total Non-Current Liabilities	<u>\$1,995,953</u>	<u>\$ 124,900</u>	<u>\$ 122,446</u>	<u>\$1,998,407</u>	<u>\$ 78,071</u>
	<u>Balance 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2019</u>	<u>Current Portion</u>
Note Payable, May, 2012	\$ 119,800	\$ --	\$ 76,958	\$ 42,842	\$ 42,842
Note Payable, May, 2018	<u>280,882</u>	<u>24,783</u>	<u>56,573</u>	<u>249,092</u>	<u>68,519</u>
	400,682	24,783	133,531	291,934	111,361
Capital Lease Obligation: Piccar	16,804	--	15,485	1,319	1,319
Landfill Closure and Postclosure Care	<u>1,619,300</u>	<u>83,400</u>	<u>--</u>	<u>1,702,700</u>	<u>--</u>
Total Non-Current Liabilities	<u>\$2,036,786</u>	<u>\$ 108,183</u>	<u>\$ 149,016</u>	<u>\$1,995,953</u>	<u>\$ 112,680</u>

Cass County Environmental Control Agency

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 5 - CAPITAL LEASES

The Agency entered into a capital lease agreement with Piccar Financial on August 20, 2014 for a semi tractor. The agreement called for monthly payments of \$1,323 for a period of 60 months at an approximate interest rate of 3.95%. This lease agreement was paid off during the fiscal year ended June 30, 2020.

NOTE 6 - NOTES PAYABLE

The Agency entered into a mortgage payable for \$521,443 on May 7, 2012 with a local bank to finance expansion and compliance with DNR regulations. The note required monthly payments of \$5,800, including interest at 3.9%. This note was paid off during the fiscal year ended June 30, 2020.

The Agency entered into a mortgage payable for \$305,665 on May 11, 2018 with a local bank to finance expansion and compliance with DNR regulations. The note requires monthly payments of \$7,050, including interest at 4.5% maturing on September 1, 2022.

Scheduled principal and interest payments are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 78,071	\$ 6,529	\$ 84,600
2022	81,658	2,942	84,600
2023	<u>11,078</u>	<u>156</u>	<u>11,234</u>
	<u>\$ 170,807</u>	<u>\$ 9,627</u>	<u>\$ 180,434</u>

Cass County Environmental Control Agency

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 7 - CLOSURE AND POSTCLOSURE CARE COSTS

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/postclosure care plan and to provide funding necessary to effect closure and postclosure care, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total cost consists of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Agency have been estimated at \$1,026,239 for closure and \$1,036,987 for postclosure, for a total of \$2,063,226 as of June 30, 2020, and the portion of the liability that has been recognized is \$1,827,600. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2020. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The Subtitle D Cell (Phase 0) began accepting waste October 1, 2007 and has an estimated remaining life of .20 year. The Subtitle D Cell (Phase 1) began accepting waste June, 2009 and has an estimated remaining life of .30 year. The Subtitle D Cell (Phase 2) began accepting waste June, 2012 and has an estimated remaining life of .50 year. The Subtitle D Cell (Phase 2A) began accepting waste July, 2018 and has an estimated remaining life of 1.00 years.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Agency has begun accumulating resources to fund these costs and, at June 30, 2020, assets of \$490,121 are restricted for these purposes, of which \$243,784 is for closure and \$246,337 is for postclosure care. They are reported as restricted assets on the Statements of Net Position.

Cass County Environmental Control Agency

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 7 - CLOSURE AND POSTCLOSURE CARE COSTS - Continued

Also, pursuant to Chapter 567-113.14(8) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Agency is required to demonstrate financial assurance for the unfunded costs. The Agency has adopted the dedicated fund financial assurance mechanism. Under this mechanism, the Agency must certify the following to the Iowa Department of Natural Resources:

- The fund is dedicated by local government statute as a reserve fund.
- Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter.
- Annual deposits to the fund are determined by the following formula:

$$NP = \frac{CE - CB}{Y}$$

NP = next payment

CE = total required financial assurance

CB = current balance of the fund

Y = number of years remaining in the pay-in period

Chapter 567-113.14(8) of the IAC allows the Agency to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Agency is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

NOTE 8 - SOLID WASTE TONNAGE FEES RETAINED

The Agency has established an account for restricting and using solid waste tonnage fees retained by the Agency in accordance with Chapter 455B.310 of the Code of Iowa. As of June 30, 2020, the unspent amounts retained by the Agency and restricted for the required purposes totaled \$78,813 (\$65,773 as of June 30, 2019).

NOTE 9 - RISK MANAGEMENT

The Agency is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 779 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Cass County Environmental Control Agency

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 9 - RISK MANAGEMENT - Continued

Each members' annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Agency's property and casualty contributions to the Pool are recorded as expenses from its operating fund at the time of payment to the Pool. The Agency's contributions to the Pool were \$21,693 and \$20,094 for the years ended June 30, 2020 and 2019, respectively.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Agency's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Agency's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the Agency's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The Agency does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2020, no liability has been recorded in the Agency's financial statements. As of June 30, 2020, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Cass County Environmental Control Agency

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 9 - RISK MANAGEMENT - Continued

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The Agency also carries commercial insurance purchased from other insurers for coverage associated with Workers' Compensation and Crime in the amount of \$1,000,000 and \$25,000, respectively. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10 - RELATED ORGANIZATION

The Agency has administrative support provided by Cass County, IA. Support provided includes contracting administrative personnel from Cass County, IA, paying expenses, debt payments, and capital acquisitions of the Agency, and maintaining the accounting records for the Agency. The Agency reimburses Cass County, IA on a monthly basis for all cash transactions from the month. Below is a list of amounts due to Cass County, IA at year end, and the transactions between Cass County, IA and the Agency during the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Contracted staff wages	<u>\$ 195,665</u>	<u>\$ 188,985</u>
Contracted staff benefits	<u>\$ 115,500</u>	<u>\$ 114,842</u>
Administrative fees to Cass County, IA	<u>\$ 6,000</u>	<u>\$ 6,000</u>
Other expenses paid for the Agency by Cass County, IA	<u>\$ 442,557</u>	<u>\$ 513,342</u>
Debt payments and capital acquisitions	<u>\$ 123,761</u>	<u>\$ 149,016</u>
Payable to Cass County, IA at June 30	<u>\$ 41,300</u>	<u>\$ 40,395</u>

Cass County Environmental Control Agency

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Commitment

The Agency has entered into a contract with an engineer to transition the facility to a transfer station. No costs have been realized as of June 30, 2020. The expected costs are estimated to be under \$500,000 and will be financed by internally generated funds and financing from the State Revolving Fund.

Line of Credit

The Agency entered into a line of credit agreement in the amount of \$1,700,000 bearing an interest rate of 5.25%, due May 1, 2021. The primary purpose of the line of credit is to show the Agency can demonstrate financial assurance for closure and postclosure care costs. As of June 30, 2020, the outstanding balance on the line of credit was \$ - 0 - .

Subsequent Events

The Agency has evaluated all subsequent events through September 23, 2020, the date the financial statements were available to be issued.

* * *

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369
ATLANTIC, IOWA 50022-0369
(712) 243-1800
FAX (712) 243-1265
CPA@GBKCO.COM

MARK D. KYHNN
KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Members of the Cass County
Environmental Control Agency
Atlantic, Iowa

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of Cass County Environmental Control Agency as of and for the years ended June 30, 2020 and 2019, and the related notes to financial statements which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated September 23, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cass County Environmental Control Agency's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cass County Environmental Control Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Cass County Environmental Control Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies: 20-I-A.

To the Members of the Cass County
Environmental Control Agency

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cass County Environmental Control Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Response to Finding

Cass County Environmental Control Agency's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. Cass County Environmental Control Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gmeuhd, Ben, Kynan & Co. P.C.

Atlantic, Iowa
September 23, 2020

Cass County Environmental Control Agency

Schedule of Findings and Responses

Year ended June 30, 2020

PART I - INTERNAL CONTROL DEFICIENCIES

20-I-A Segregation of Duties:

Criteria: Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from contracted staff error or dishonesty and maximizes the accuracy of the Agency's financial statements.

Condition: A limited number of people have the primary responsibility for most of the accounting and financial reporting duties.

Cause: The Agency has a limited number of contracted staff which does not allow procedures to be established to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect: Inadequate segregation of duties could adversely affect the Agency's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by contracted staff in the normal course of performing their assigned functions.

Recommendation: We recognize that it may not be economically feasible for the Agency to employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Board is aware of this lack of segregation of duties, but it is not economically feasible for the Agency to employ additional personnel for this reason. The Board will continue to act as an oversight group.

Conclusion: Response accepted.

* * *

PART II - INSTANCES OF NON-COMPLIANCE

No matters were noted.

* * *

Cass County Environmental Control Agency

Schedule of Findings and Responses

Year ended June 30, 2020

PART III - OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

20-III-A Questionable Expenses: No expenses we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

20-III-B Travel Expense: No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.

20-III-C Restricted Donor Activity: No transactions were noted between the Agency, Agency officials, Agency contracted employees and restricted donors in compliance with Chapter 65B of the Code of Iowa.

20-III-D Board Minutes: No transactions were found that we believe should have been approved in the Board minutes but were not.

20-III-E Deposits and Investments: No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa were noted.

20-III-F Solid Waste Tonnage Fees Retained: No instances of non-compliance with the solid waste fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.

Cass County Environmental Control Agency

Schedule of Findings and Responses

Year ended June 30, 2020

PART III - OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING -
Continued

20-III-G Financial Assurance: The Agency has demonstrated financial assurance for closure and postclosure care costs by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

	Closure	Open Cells	Postclosure Closed Cells	Total
Total estimated costs for closure and postclosure care	\$ 1,026,239	\$ 220,997	\$ 815,990	\$ 1,036,987
Less: Balance of funds held in the local dedicated fund at June 30, 2019	<u>211,379</u> 814,860	<u>43,560</u> 177,437	<u>160,837</u> 655,153	<u>204,397</u> 832,590
Divided by the number of years remaining in the pay-in period	÷ 2.00	÷ 2.00	N/A	N/A
Required payment into the local dedicated fund for the year ended June 30, 2020	407,430	88,719	655,153	743,872
Balance of funds held in the local dedicated fund at June 30, 2019	<u>211,379</u>	<u>43,560</u>	<u>160,837</u>	<u>204,397</u>
Required balance of funds to be held in the local dedicated fund at June 30, 2020	<u>\$ 618,809</u>	<u>\$ 132,279</u>	<u>\$ 815,990</u>	<u>\$ 948,269</u>
Amount Agency has restricted for closure and postclosure care at June 30, 2020	<u>\$ 243,784</u>	<u>\$ 52,498</u>	<u>\$ 193,839</u>	<u>\$ 246,337</u>

The Agency uses the availability of a \$1,700,000 line of credit to demonstrate the ability to meet the financial assurance requirements.

* * *